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1/11/2011

Mr. Ben Bernanke, Chairman  
Federal Reserve Board  
20th Street and Constitution Ave, NW  
Washington, DC 20551

Dear Chairman Bernanke:

On behalf of Hutchinson Credit Union and our 16,747 member/owners, I would like to express my concern regarding the proposed debit card interchange regulations (Docket No. R-1404). For the record, we are a small credit union (approximately \$160 million) and fall well below the \$10 billion exemption limit. Despite this fact, I am concerned that this regulation will directly harm the industry, consumers, and ultimately my members. I hope that you take into account my concerns that I have included in this letter and significantly alter the regulation before it is finalized.

First, despite the fact that my credit union is exempted from the proposed fee structure, I feel that there is not adequate guidance to enforce a two-tiered system. Furthermore, if a two-tiered structure is put in place, my credit union would be placed at a competitive disadvantage with the large institutions because our debit card transactions would cost more and retail merchants would steer transactions towards the lower cost option. I feel that this violates the spirit of the law, our system of free enterprise and needs to be changed.

Secondly, and perhaps most importantly, the fee structure as proposed does not adequately address the true cost of developing and running a debit card program. I feel that the cost of interchange should not only include the electronic authorization and settlement, but also the cost of fraud monitoring, deposit account servicing and liability. It also doesn't include the millions of dollars that it has taken to develop and continue to improve the interchange network. While retailers may not want to pay the current interchange prices, I highly doubt that they would be willing to go back to taking checks and the liability and high cost of processing that comes with them. It seems that the current system is a drastic improvement, both in operation and cost, for all parties involved.

In the end, the consumer will be negatively impacted by this regulation, not helped. As written, there is nothing that requires the merchant to pass on the cost savings to consumers. In fact, financial institutions will be forced to recover this lost revenue. The bottom line of the financial industry has been challenged like no time in recent history with everything from insurance fund assessments, lower loan demand, higher charge-offs and a generally fragile economy, that there

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is no choice but to raise fees. The last thing that I want to do is to implement more fees on my members. Several large financial institutions have already done this and most will have to follow their lead if this regulation is implemented.

Another important point to note is that merchants are not forced to accept debit cards. If they feel that the cost of this payment method is too expensive, they can choose to not accept them. Similarly, consumers also have the choice whether to use a debit card or not. The fact that all parties choose to use this payment method is proof that it is the preferred method of payment and that they feel that the benefits outweigh the current cost.

Finally, I believe that the cost of a product or service should be dictated by the free market, not through Government regulation. There are many ways that consumers can pay for items and it should be up to the consumer to make these decisions, not the government.

I cannot stress enough that this regulation will negatively impact my members and will cause the industry to increase fees. At this time in our history, this is not something that anyone wants to do. By changing the regulation to allow issuers to achieve a reasonable profit, based on all costs and dictated by the free market, the consumer will get the best possible solution. I urge you to change this regulation and to not harm my members and all consumers.

Sincerely,



Daniel L. Springer  
VP Finance / CFO  
Hutchinson Credit Union